

In-shell or Out, China's Nutty for U.S. Tree Nuts

By Adam Branson and WuXinping

U.S. export figures show U.S. tree nut exports to China booming from \$2.3 million in calendar 1998 to \$15 million in 2003. Greater urban affluence is altering consumer tastes for varied foods and should assure rising demand for almond, pistachio, hazelnut, pecan, cashew, macadamia nut and walnut imports.

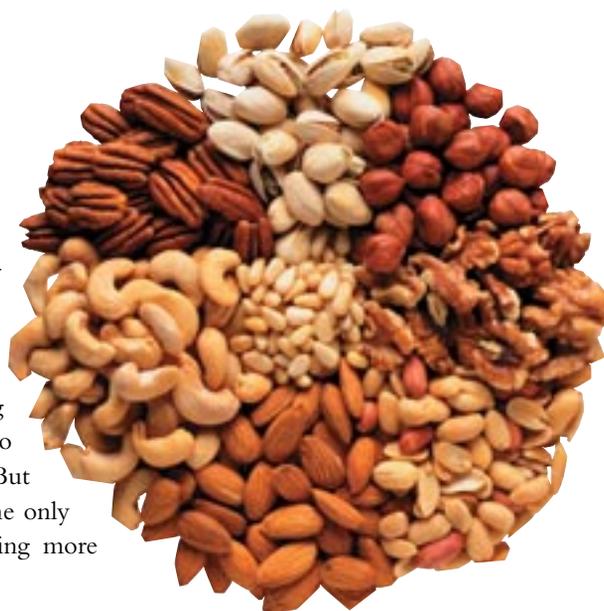
Several factors have accounted for this remarkable growth. Before China's 2001 accession to the WTO (World Trade Organization), tree nut tariffs averaged 26

percent. China reduced its tariff rates for tree nuts an average 5.25 percent as of 2003. By 2004, rates dropped about 7.88 percent, making them even more attractive to importers and consumers. But lower prices have not been the only reason that China is importing more nuts.

Consumers Weighing In

Traditionally considered a health food, the nutritional benefits of tree nuts are taking a back seat to new consumer perceptions of nuts as snack foods.

Targeted promotions, especially in larger Chinese cities like Beijing, Guangzhou and Shanghai, have helped raise the profile of tree nut snacks for the average consumer. Bakers and confection-



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ers have been trained in the use of nuts as ingredients for baked goods and candies.

Although price sensitivity bars some U.S. high-quality nuts from sales in China, the United States is an important supplier of almonds, hazelnuts and pistachios for the Chinese ingredients marketplace.

Bakeries need high-quality ingredients. Since lower import tariffs have made tree nuts more affordable, China is importing more shelled than in-shell tree nuts for the first time in MY (marketing year) 2002/03 (October-September). Walnuts are especially popular in breads, and hazelnuts and almonds in chocolate candy.

Chinese companies are also processing more imported tree nuts for the re-export market, particularly almond, pistachio and macadamia products.

Three U.S. Nuts Popular

The United States, Turkey and Pakistan are the three largest suppliers of in-shell almonds to China. During MY 2002/03, U.S. in-shell almonds accounted for 1,348 metric tons out of the total 2,159 tons imported.

The United States is the predominant supplier of shelled almonds to China, with 516 of the 548 tons imported in MY 2002/03. Guangzhou and Shenzhen have traditionally been the largest entry ports



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for shelled almonds. However, since lower tariffs have come into effect following China's accession to the WTO, Beijing and Shanghai are importing larger volumes as well.

Turkey surpassed the United States as the largest supplier of in-shell hazelnuts and accounted for nearly all of China's shelled hazelnut imports during the first nine months of MY 2002/03. Turkey's lower prices and a nationwide advertising campaign have helped boost sales. However, fourth-quarter gains enabled the United States to recoup its No. 1 status for the marketing year as a whole.

In MY 2002/03, Iran accounted for 56 percent (5,632 tons) of pistachios imported by China, followed by the United States with 41 percent (4,111 tons).

As high-quality U.S. nuts are more expensive than other imports, processors often blend Iranian and U.S. nuts, packaging and labeling them as U.S. products.

Vietnam is the largest supplier of cashews (in-shell and shelled) to China.

Southern hemisphere and equatorial countries dominate the market for macadamia nut exports to China. Australia, South Africa, Kenya and Brazil supplied 97 percent of China's total 6,877 tons imported during MY 2002/03.

China exports many tree nuts, the bulk of which are re-exports, with pistachios, almonds and macadamias shipped in the largest volumes. Products imported into the country for re-export can enter free of tariffs and value-added taxes.

Marketing Concerns

In promoting their products, tree nut exporters should address several consumer concerns: taste, sanitation of packaged products, consumer-ready sizes and pricing.

Nut Trees Planted

Although China does produce some tree nuts, notably walnuts, it is not yet a commercially viable producer of most varieties.

However, China's domestic production has been increasing as acreage planted over the past decade has begun bearing nuts.

Growers have been encouraged to switch from traditional agricultural crops to high-value and more ecological crops such as tree nuts, mostly walnuts, with some pecan and other varieties where ecologically suited.

Tree nut production has been considered an important part of the Sloped Land Conversion Program, an effort to alleviate rural poverty by converting land to more productive uses. As farmers implement scientific methods for improving production, output will be further enhanced.

By 2012, China hopes to have 2.4 million acres of newly planted walnut trees and 1.09 million acres of walnut trees improved through grafting.



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Retail outlets, especially hypermarkets and supermarkets, have increased the number of branded and packaged tree nut products they sell. Many walnuts and, recently, almonds are sweetened, glazed or sprinkled with seeds. Packages usually range from 90 to 400 grams.

Price is still a major consideration for the consumer. Packages priced up to \$2 are considered affordable. Many large stores carry tree nuts, in-shell and out, in more economical plastic containers weighing between 300 and 500 grams.

Bulk bin sales of shelled and in-shell almonds, walnuts, pistachios and cashews have been strong in larger stores. Many consumers prefer in-shell bulk bin nuts

because of lower prices, and often consumer-shelled nuts are cleaner. ■

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